



DEPARTMENT OF MENTAL HEALTH POLICY/PROCEDURE

SUBJECT PROCEDURES FOR CLINICAL CASH HANDLING, DEPOSIT OF PATIENT REVENUES, AND FINANCIAL RECORD KEEPING	POLICY NO. 404.1	EFFECTIVE DATE 10/1/89	PAGE 1 of 12
APPROVED BY: Original signed by: ROBERTO QUIROZ Director	SUPERSEDES 414 4/17/89	ORIGINAL ISSUE DATE 6/20/88	DISTRIBUTION LEVEL(S) 1

PURPOSE

- 1.1 To establish comprehensive policy and procedures for cash receipt handling, patient revenue deposits, and financial record keeping at Department of Mental Health (DMH) outpatient clinic operations.
- 1.2 To provide sound internal controls; adequate separation of duties within the cash functions; ensure that timely, accurate and complete records of cash transactions are maintained; provide for adequate physical security over cash receipts; minimize the potential for cash-related defalcations; minimize the personal security risk of staff transporting cash receipts; improve cash flow; increase the efficiency of operations; and comply with County and Auditor-Controller policies and recommended practices.
- 1.3 To consolidate and streamline the previously issued policy/procedure memos and directives cited in Section 5.1, as well as DF Policy #9.
- 1.4 To establish the following specific procedures for DMH outpatient clinic operations:
 - 1.4.1 Use of the Local Bank Deposit Network (LBDN) in order to enhance the flow and security of patient revenue collections from DMH outpatient clinic operations to the County Treasurer;
 - 1.4.2 Handling and receipting of cash received;
 - 1.4.3 Appropriate safeguarding of cash received;
 - 1.4.4 Reporting of losses resulting from burglary, robbery, or mysterious disappearance;
 - 1.4.5 Recovery of lost checks;
 - 1.4.6 Handling overages and shortages encountered in the course of business;
 - 1.4.7 Handling Non-Sufficient Funds (NSF) checks.



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POLICY

- 2.1 The DMH shall make every attempt to receive, account for, and safeguard cash receipts in a timely and efficient manner in keeping with the purposes noted above. Cash receipts from patient revenues at outpatient clinic operations shall be deposited as determined by the volume of funds received.
- 2.2 Collections of \$100 or more will be deposited daily. Collections of less than \$100 per day may, at the discretion of clinic management, be held and deposited when the total reaches \$100, except that in no case will deposits be less frequent than weekly.

BACKGROUND

- 3.1 The County Fiscal Manual prescribes that specific policies, procedures, and controls be in place with respect to cash handling. In addition, the Auditor-Controller, Audit Division, has made numerous recommendations in this area stemming from internal control weaknesses noted during audits. DMH has experienced thefts of cash receipts on a number of occasions. In addition, staff transporting funds to the County Treasurer are subject to a personal security risk.
- 3.2 Cash is the most liquid of assets and as such can easily be converted temporarily or permanently, to an individual's personal use (misuse). The highly liquid nature of cash requires that strict controls be established over all phases of cash handling operations.

PROCEDURE

- 4.1 **NOTE:** These procedures assume an ideal situation with sufficient staffing to accomplish the separation of duties shown. In practice, there may not be adequate staff to fully comply with the letter of all of these procedures. In such cases, the Program Head is still responsible to comply with the procedures to the extent possible and to ensure that all controls and supervisory monitoring are in place.
- 4.2 **FISCAL RECORD KEEPING AND CASH RECEIPT/HANDLING PROCEDURES**
 - 4.2.1 The staff person designated to function as the billing clerk in the facility receives:
 - 4.2.1.1 Directly from the therapists, the documentation used to indicate units of service and type of service provided to each patient;
 - 4.2.1.2 Directly from the receptionist, the documentation used to list patients to be seen.



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- 4.2.2 The billing clerk reconciles the two documents referenced above.
- 4.2.3 The billing clerk computes patient charges, prepares the patient payment card (Attachment I), and bills the patient.
- 4.2.4 The Program Head at the facility must comply with the State guidelines for record retention by retaining all financial records in the center for four years after the closing of a fiscal year or until notified that the County has settled the State audit for the fiscal year.
- 4.2.5 The staff person designated to function as the cashier (often the receptionist) in the facility opens collections, immediately restrictively endorses checks (both client and insurance—see Attachment II) and prepares a listing of collections of patient fees and insurance remittances received. The listing of receipts must cross-reference supporting documents and checks.
- 4.2.6 All cash or checks received must be receipted. The cashier prepares a Departmental Receipt (DR—see Attachment III) in the name of the person making payment at the time each remittance (mail or over the counter, cash or checks) is received in the following manner:
- 4.2.6.1 If a patient pays with cash, prepares a DR and gives the client the “white original copy”.
 - 4.2.6.2 If the patient pays by personal check, care must be taken to ensure that proper identification is presented by the payor as follows:
 - Social Security Number
 - Valid California Driver’s License or other identification with picture and signature
 - Check guarantee or major credit card.
 - 4.2.6.3 The Social Security number and identification numbers must be written on the front of the check. Expired identification must not be accepted.
 - 4.2.6.4 Checks received by mail must be so designated on the front of the check.



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4.2.6.5 After the payor has been identified, prepares a DR, gives the client the "white original copy," and immediately restrictively endorses the back side of the check with the clinic endorsement stamp.

4.2.6.6 The four-part DR is distributed as follows:

White Original Copy Give to the client as record of payment.

Pink Copy Submit to the Accounting Division.

Blue Copy Retain as the clinic record.

Yellow Copy Retain in the receipt book and submit to the Accounting Division when the receipt book is expended.

4.2.6.7 All DR's must be safeguarded and accounted for.

4.2.6.8 Where possible, receipts should be written in the presence of the payor.

4.2.7 The Program Head at the facility must ensure that signs are posted reminding patients to ask for a receipt when making a payment for services rendered.

4.2.8 The cashier must ensure that all remittances received are placed in a "cash box" or other receptacle, and immediately safeguarded in a suitable location, preferably locked and with limited access, such as a locked safe, locked file cabinet, or locked cash drawer. Cash and checks should never be kept on a counter or desk, in unlocked desk or file cabinet drawers, or in any other unsecured area.

4.2.9 The cashier or another person must be designated as Primary Custodian of cash receipts. A second person must be designated as a back-up in the absence of the Primary Custodian. The Custodian's function is to transfer cash and checks into and out of the facility's safekeeping device, and to ensure that the device is kept locked and secure at all times.

4.2.10 If more than one person is designated as cashier, separate cash boxes or receptacles must be used for receiving patient payments. Accountability should be established each time cash is transferred. When cash collections are transferred from one employee to a second employee, the discharge of the first employee's responsibility and the creation of accountability for the second should be clearly established by reconciliation, receipts, reports, or other documentary evidence.



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4.2.11 The following procedures must be followed with respect to DR's:

- 4.2.11.1 When writing the dollar amount on a DR, the written description of the amount must correspond with the numerical amount. Receipts with alterations or erasures must be marked "VOID" and a new receipt written.
- 4.2.11.2 When a receipt is voided, all copies are to be marked "VOID". Each voided DR must be reviewed and initialed by the cashiering supervisor. The white and pink copies must be forwarded to the Accounting Division as part of the Accounting Information Package described below. The blue copy is to be retained by the facility, and the yellow copy is to remain in the DR book.
- 4.2.11.3 Immediately after the issuance of the last receipt in the DR book, the entire book must be forwarded to the Accounting Division so that a new book may be issued.
- 4.2.11.4 The cashiering supervisor is to be responsible for accounting for all receipts on a daily basis.
- 4.2.11.5 The cashiering supervisor and other cash handling personnel are responsible to ensure that receipts are issued in consecutive order.
- 4.2.11.6 Periodic audits must be made by the Program Head or a designee with a function not related to cash handling to ensure proper accountability of all DR's and DR books.
- 4.2.11.7 Receipt books not completed within eighteen (18) months must be returned to the Accounting Division with all unused DR's marked "VOID".
- 4.2.11.8 The supply of unused receipts must be locked up with access limited to the person responsible for controlling receipt books. The individuals who maintain and control receipt books must not have cash handling responsibilities.
- 4.2.11.9 A log book of all receipts received must be maintained by the receipt book custodian (see 4.2.11.8) with at least the following information: date book was received, receipt numbers, name of employee assigned custody of the book, date used book was returned to the Accounting Division.



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- 4.2.11.10 Receipt books issued to terminating or transferring employees must be reviewed to ensure that all receipts are accounted for.
- 4.2.11.11 A physical inventory of all used and unused receipts must be conducted on at least an annual basis. This will be initiated and coordinated by the Accounting Division. Detailed instructions will be provided at the time of the inventory.

- 4.2.12 The cashier forwards all mail collections to the cashiering supervisor and a copy of the listing of collections received to both the cashiering supervisor and billing clerk.
- 4.2.13 The cashiering supervisor uses the listing of mail collections received to verify that all mail collections are included with the next deposit.
- 4.2.14 The cashier forwards the DR's to the billing clerk upon completion.
- 4.2.15 The billing clerk uses the listing of mail collections received to verify that DR's for all mail collections are prepared and received.
- 4.2.16 The billing clerk posts all payments received (as recorded on the DR) to patient payment cards.
- 4.2.17 The billing clerk forwards the DR's to the cashiering supervisor.
- 4.2.18 The cashiering supervisor prepares the "clinic Receipts Transmittal" (Attachment IV), based on the DR's received. The Transmittal must indicate patient revenues by category such as patient fees, insurance, etc., and provide a summary total, as indicated on the form.
- 4.2.19 The cashiering supervisor then obtains the cash and checks from their safekeeping location via the Primary Custodian (see below) and agrees them to the Transmittal. Cash, checks, and DR's must be reconciled prior to a deposit being made.
- 4.2.20 The Program Head, or a designee with functions not related to cash handling, must periodically review cash handling operations, including the safekeeping of cash receipts and DR's, the preparation of the DR's and transmittals, and the reconciling of DR's to cash and checks.

4.3 DEPOSITS:



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- 4.3.1 The cashiering supervisor prepares the Deposit Ticket (see Attachment V) based on the cash and checks received. The Deposit Ticket is preprinted with facility name and control code. If these items are not on the Deposit Ticket, they should be written in. The Deposit Ticket total must equal the total shown on the transmittal.
- 4.3.2 The cashiering supervisor assembles the Deposit Package, consisting of the Deposit Ticket, cash and checks, and the Accounting Information Package, consisting of the Transmittal, duplicate Deposit Ticket (obtained after deposit is made), and DR's. The Deposit Package must be assembled in sufficient time to allow delivery to the bank no later than 3:00 p.m.
- 4.3.3 The cashiering supervisor or a designee delivers the Deposit Package to the designated local Bank of America branch for deposit prior to 3:00 p.m., utilizing the special merchant teller window for faster service.

The bank branch designated for DMH facilities' deposits is shown on Attachment VI. DMH's bank account number is 06002-80062.

- 4.3.4 Deposits must be made on a daily basis if collections total \$100 or more. An exception to this general rule is the late collection procedure described in Section 4.3.5 below. Collections of less than \$100 per day may, at the discretion of clinic management, be held, and deposited when the total reaches \$100—except a deposit must be made at least on a weekly basis.
- 4.3.5 Patient revenues received too late (i.e., after 3:00 p.m.) to be included in the current day's deposit must be properly safeguarded and included in the next business day's deposit, or prepared in the normal manner for night (drop) deposit. If late collections total more than \$100, night deposit is the preferred method.
- 4.3.6 Cash and checks of \$100 or more which were received after the main deposit was made and which were not deposited at night must be reconciled to DR's at the end of the business day.
- 4.3.7 To obtain the option of night drop deposits, it will be necessary to make arrangements with the local bank branch.
- 4.3.8 The person making the deposit must ensure that the bank teller stamps and initials the second copy of the Deposit Ticket. The second copy of the Ticket must be submitted to the Accounting Division as part of the Accounting Information Package. For night



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deposits, include a written request for the bank to stamp and initial the second copy of the deposit slip with the Deposit Package.

4.3.9 After the patient revenue has been deposited, forward the Accounting Information Package (duplicate Deposit Ticket, Transmittal, and DR's) to the Accounting Division on the same day. These documents should be mailed or delivered by messenger to the Accounting Division each day that a deposit is made. However, if circumstances do not permit the Information Package to be sent on the same day, it should be sent no later than the next business day.

4.3.10 If the supply of Deposit Tickets is getting low, place an order for additional Tickets at the designated bank branch.

4.4 REFUND REQUESTS:

4.4.1 Complete the Refund Request Form #76R620 MH-049F (Attachment VII) and attach supporting documentation explaining the reasons for the refund. Submit these documents to the Accounting Division for processing.

4.5 LOSSES RESULTING FROM BURGLARY, ROBBERY, OR MYSTERIOUS DISAPPEARANCE:

4.5.1 Any mysterious disappearance must be reported immediately to the Program Head or other administrative staff of the facility and in turn to the Accounting Division.

4.5.2 Losses over \$100 must be reported immediately by telephone to the DMH Accounting Division. Subsequently the local police must be notified, and a written police report requested. If the situation involves imminent danger, the police should be consulted first. The telephone notification to the Accounting Division must be followed up by a written report (see Section 4.5.3 below for contents of report) including a copy of the police report. Accounting Division staff will in turn notify the Auditor-Controller, Audit Division, and the DMH Audit Compliance Team.

4.5.3 For all losses due to burglary, robbery, or mysterious disappearance, a report must be written stating the amount of the loss, an explanation of the circumstances, and a listing of the type of revenue and DR numbers involved. The report must be forwarded to the Accounting Division as soon as possible for processing. Accounting Division staff will in turn notify other appropriate parties.



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- 4.5.4 In the event that losses involve negotiable instruments (checks or money orders), the clinic must follow the procedures listed under Section 4.6 below, "Recovery of Lost Checks".

4.6 RECOVERY OF LOST CHECKS

- 4.6.1 The Program Head must ensure that the procedures below are in place in order to maximize recovery of lost checks.
- 4.6.2 Attempts to recover lost checks need only be initiated if the amount is \$10 or more.
- 4.6.3 The billing clerk must be apprised of lost checks and adjust the patient payment card.
- 4.6.4 Contact the maker of the lost check(s) by telephone as soon as the loss is determined in order to request a replacement check. Follow up with a written request using certified mail within three working days. Allow 30 calendar days for the maker to issue a replacement check.
- 4.6.5 If, at the end of the 30-day period, no response is received, again contact the maker of the lost check by telephone and request that a replacement check be submitted to DMH within 10 calendar days.
- 4.6.6 If no response to the second telephone request is received, no additional inquiries need be made.
- 4.6.7 The Check Recovery Log form (Attachment VIII) must be used to properly document efforts made to recover lost checks. A separate Log must be completed for each lost check. Upon completion, the Check Recovery Log should be sent to the Accounting Division to the attention of the Revenue Section.
- 4.6.8 Compliance will be monitored by the Accounting Division. Non-compliance will be communicated to the Director or designee.

4.7 OVERAGES AND SHORTAGES:

- 4.7.1 Overages and shortages resulting from daily cash handling (collection) operations must be handled as follows:
- 4.7.1.1 Cash overages, regardless of amount, which cannot be specifically identified and refunded to the payor, must be reported in writing to and



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forwarded to the Accounting Division for deposit into the Cash Overage Fund.

4.7.1.2 Daily cash shortages not exceeding \$100 are to be reported to the Accounting Division in writing for follow up with the Auditor-Controller.

4.7.1.3 Shortages exceeding \$100 that result from burglary, robbery, mysterious disappearance, or counterfeit currency must be reported immediately (same day) by telephone to the Accounting Division and followed up by a memo explaining the details of the incident (amount of the loss, whether cash or checks, DR's affected, and circumstances) with a police report attached. The memo must be received by the Accounting Division within three working days of the incident. The Accounting Division will coordinate any further actions that may be necessary and forward the documents to the Auditor-Controller for processing.

4.7.1.4 Instances of shortages and overages will also be reported in writing to the Audit Compliance Team.

4.8 NON-SUFFICIENT FUND (NSF) CHECKS AND STOP PAYMENTS:

4.8.1 Non-Sufficient Fund (NSF) checks returned by the bank will be handled by the Accounting Division.

4.8.2 The Accounting Division will notify the clinic affected in writing that an NSF check has been received (Attachment IX). The certified letter requests the maker of the check to make payment at the clinic where services were received using cash, a cashier's check, or a money order within 30 calendar days of the date of the letter.

4.8.3 Upon receipt of the letter, the billing clerk should adjust the patient payment card to reflect the returned check.

4.8.4 If a stop payment has been placed on a check, inform the maker that the stop payment service charge assessed may be deducted from the amount of the replacement check.

4.8.5 Notify the Accounting Division in writing of the amount as soon as the service charge has been determined by the bank and the document has been received by you.

4.8.6 If the maker fails to redeem the returned check within 30 days from the date of the certified letter, the Accounting Division will refer the NSF check to the Los Angeles



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County Treasurer-Tax Collector for enforcement in accordance with Section 1719 of the California Civil Code.

- 4.8.7 Section 1719 of the California Civil Code specifies that the maker of the NSF check shall be liable for damages which total three times the amount of the check, with a minimum of \$100 and a maximum of \$500, in addition to the face value of the check.

SUPERSEDES

5.1 This policy supersedes the following list of documents:

- 5.1.1 DF Policy #9, dated 4/20/87
- 5.1.2 Financial Record Keeping and Cash Receipt/Handling Procedures, dated 7/15/85
- 5.1.3 Fiscal Internal Controls Procedures, dated 7/15/85
- 5.1.4 Cash Receipts/Handling and Record Keeping Procedures, dated 12/1/84
- 5.1.5 Recommendations for Safekeeping of Revenue, dated 12/1/84
- 5.1.6 Acceptance of Checks and Handling of Non-Sufficient Funds (NSF) Checks Procedures, dated 12/1/84
- 5.1.7 Four-Part Departmental Receipts Memo, dated 10/14/87
- 5.1.8 Auditor-Controller Recommendation via memo, "Request for Reimbursement of Losses," dated 1/7/87

AUTHORITY

Los Angeles County Fiscal Manual, Sections 1.1.0 through 1.7.3
California Civil Code, Section 1719

ATTACHMENTS

Attachment I	Patient Payment Card
Attachment II	Restrictive Endorsement
Attachment III	Departmental Receipt
Attachment IV	Clinic Receipts Transmittal



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Attachment V	Deposit Ticket
Attachment VI	Local Bank Branches
Attachment VII	Refund Request
Attachment VIII	Check Recovery Log
Attachment IX	Sample Demand Letter